G.R.S. IX—5]

Previous references.

G.F. 87:20.

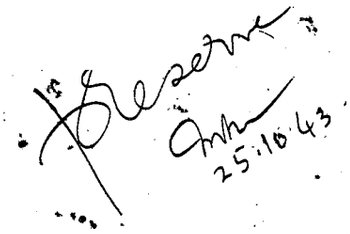
1922.

G.F.

File No. 87-20

Serial Nos. 1 – 8

Later references.



GENERAL AND REVENUE SECRETARIAT.

Serial Nos.

H 74/F1

Part B for Feby: 22

SUBJECT

Amendment of the Imperial Bank of India Act 1920 to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Banks.

From,

The Managing Governors
Imperial Bank of India

State that they do not feel justified in approaching the Government of India with the proposals of the amendment.

Printed on the Multigraph.

GENERAL AND REVENUE SECRETARIAT.

(67)

NOTES.

File No. 87-20

FILE HEADING.

Acceptance of Mysore Govt. Securities as primary security for loans to be advanced by Presidency Banks &c.

From

No.	Dated		Received
Diary No.	Enclos.	Spare Copies.	Serial No.

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

NOTES—First Sheet.

D 1979

We have to raise a fairly large amount in the form of public loans for our productive Public Works now in progress. It may become necessary to undertake more works of the same character and they can only be financed from public loans. The question, therefore of creating as wide a market as possible for our securities requires consideration. Unless there is a large and ready market for our securities, people will not be inclined to invest their money in them. We have applied for the permission of the Government of India to float our loan in British India also but people there, may not be willing to subscribe to our loan unless Banks and Stock markets in British India freely deal in our securities.

2. We have made arrangements with the Government of India for disbursing the interest due on our securities from all British Indian Treasuries. We have also arrived at an understanding of reciprocity with the same Government in regard to the levy of income-tax. One more essential convenience should, however be provided to induce investors in British India to go in for our securities, viz., authority to the Presidency Banks to deal in our securities. If these Banks are permitted to invest their funds in our loans and to accept our bonds as security for loans made by them, other Banks in British India will follow them.

3. I request reference in this connection to Section (8) of the Bill for the constitution of the Imperial Bank of India, now before the Imperial Legislative Council. It will be seen from the schedule referred to in this section that the Presidency Banks and the Imperial Bank of India which will take their place, are not authorised to invest their funds in securities of Indian states or to accept them as primary security for lending money. The Presidency Banks can invest their funds only in the following securities:--

(1) Trustee securities,
(2) Securities of Local Governments,
(3) Securities of the Govt. of Ceylon,
(4) Securities issued by State-aided Railways and authorised by the Governor-General, and
(5) Debentures or other securities issued under the authority of any Act of a Legislature established in British India, by or on behalf of a District Board.

When securities of Local Governments, State-aided railways and even District Boards are included in the list, there should not be any objection to include in it securities of the Government of Mysore.

4. In the list of securities which the Presidency Banks can accept as primary security for lending money, even fully paid-up shares and debentures of companies with limited liability are included, and the request for inclusion in the list of securities of public loans raised by the Govt. of Mysore cannot also be considered unreasonable.

5. In the circumstances explained above, it seems to me that it is necessary to request the Government of India to per-

3

permit the Presidency Banks to deal in our securities, both for investment of their funds as also for accepting them as primary security for making loans. The Bill for constitution of the Imperial Bank is now before the Legislative Council and if our request is complied with the present is a favourable opportunity for suitably amending the law on the subject.

6. If however, it is considered desirable to consult one of the Presidency Banks in the matter, we might write to Sir Bernard Hunter of the Bank of Madras or the Secretary & Treasurer of the Bank of Bombay and ascertain from him to what extent under the law now in force, the Presidency Banks can deal in securities of the Government of Mysore and what objections there are to treat them in the same way as the securities of a Local Government in British India for purposes of investment of the Bank funds as also of advancing money on them accepting them as the primary security. Incidentally we may also enquire what help the Bank can render us in connection with our loan, if it is thrown open for subscription by persons in British India. The usual commission would of course be paid for the service rendered.

1-9-20

Acceptance of our securities as primary cover for loans to be advanced by Presidency Banks.

***

Neither under the Presidency Banks Act nor under the Bill for establishing the Imperial Bank of India, now before the Legislative Council, can Presidency Banks invest in securities of Indian states or even accept such securities as primary cover for giving loans. The Presidency Banks can now invest their funds only in the following securities

(1) Trustee securities,
(2) Securities of Local Govts.,
(3) Securities of the Govt. of Ceylon,
(4) Securities issued by State-aided railways and authorised by the Governor-General, and
(5) Debentures or other securities issued under the authority of any Act of a Legislature established in British India by or on behalf of a district board.

When securities of Local Governments, State-aided railways and even District Boards are included in the list there should not be any objection to include in it securities of the Mysore Government.

In the list of securities which the Presidency Banks can accept as primary security for lending money, even fully paid up shares and debentures of companies with limited liability are included and the request for inclusion in the list of securities of public loans raised by the Government of Mysore cannot be considered unreasonable.

~~If it is not possible to accept our securities~~. If the Presidency Banks cannot make investments in our securities, there should at least be no objection to accepting them as primary securities for loans.

The Imperial Bank Bill and an draft note

Which

5

which I had written on this subject are put up. The securities of the Government of Ceylong are accepted under certain conditions. We might request that at least a similar consideration may be shown to our securities

Mmh
1-9-20

R S. III-2]

General and Revenue Secretariat. | File No. of 19

Serial No.

letter from Chairmull: Ch 4 2/20
enquiring if mys securities papers could be negotiable & accepted as security

I put up a letter of enquiry by one Mr.Seth Chandmull Dhudha, C.I.E., of Madras desiring to know if our bonds would be accepted as security by British offices. I understand from the Comptroller that there have been instances in the past in which our bonds have been accepted as security deposit by British offices. I have asked for instances being shown to me. I propose to reply to Mr.Seth Chandmull as in the draft put up, after verifying the fact of the acceptance of our pronotes as security in the past as stated by the Comptroller's office.

I would in this connection suggest the neccessity of coming to an arrangement with the Government of India in regard to the acceptance of our bonds as security deposits of contractors and others by the British Government. We accept their bonds as security deposits and this is a matter in which reciprocity should be permitted. This point also is therefore proposed for discussion with the authorities at Simla.

DEWAN'S OFFICE
Recd. on SEP 6 1920
Reg. No. 2427

D e w a n)

Smile 6-9-20

I think the letter to verify & get the acceptance confirmed & reply may be sent that action is being taken to secure reciprocity — 4/9/20

6/9 Note may be seen

Done 6/9

NOTE—Contn. sheet.

G. R. S. III-2.

7

General and Revenue Secretariat.

File No. of 19 .

Serial No.

Reciprocity for acceptance of our Bonds as security deposits in British India.-- We accept as security deposits the securities of the Government of India. It is necessary to arrange for the acceptance of our bonds as security deposits by the Government of India and Provincial Governments. The bonds of our previous loans have been accepted as the security deposits of contractors and others by some offices under the Government of Madras. What is now required is the inclusion of our bonds in the list of Securities authorised by the Government of India as acceptable as security deposits. If this reciprocal arrangement is not permitted, it will not be possible for us to take the securities of the Government of India as security deposits.

Forwarded to the Private Secretary to the Dewan. The Dewan has ordered the inclusion of the above as one of the points for discussion at Simla.

7.9.20

DEWAN'S OFFICE.
Recd. on SEP 7 1920
Reg. No. 2446

9

NOTE—Contn. sheet.

D 979

G. R. S. III-21

General and Revenue Secretariat. | File No. of 19

Serial No.

Draft Sabdas directed by the First Member

Dewan Bir
First Member

Please see remarks
within
L
6.10

A revised and amplified draft is put up. The Imperial Bank is not permitted to invest in the shares and debentures of Joint Stock Companies. It is only authorised to accept them as cover for granting accommodation. I have not, therefore, referred to these shares and debentures in the draft as we propose to request the Government of India to allow the Imperial Bank not only to accept our securities as cover for granting accommodation but also to invest in such securities if the Bank --- chooses.

First member)

Sig be submitted with the
Draft for addl as instructed
by Secretary

This dealt with in my Secretary's
note

As required by Secretary
Dewan circulate to 2nd + 3rd members
+ a b-s. 2- Secy U-S.O. 2a

2 08
8/10

NOTE—Contn. sheet.

3148

Serial No.

2662-222
12.10.20

I agree.
This is just what was suggested to me by the Agent of the Bank of Madras, Bangalore at a private personal conversation & which I placed before the Council at one of its meetings in August last. It will be a great point gained if our proposal is accepted by the G. of I.

Reed
11.10.20

Lajpat

2423
12.10.20

Curtis
12/10/20

10

Submitted to His Highness.

***

These papers relate to the acceptance as primary security, for the purpose of advancing and lending money, etc., by the Presidency Banks (and the Imperial Bank of India) of the Mysore State Loan Securities.

2. The securities of the Government of India are being accepted in the State as original cover for loans granted by all Banks and as security deposits by the Government, and it is hoped to have, through the good offices of the Government of India, a reciprocal arrangement whereby a corresponding privilege is afforded to the State Loan Securities.

3. A draft of a letter to the First Assistant to the Hon'ble the Resident has been prepared setting forth the circumstances and requesting that Act XLVII of 1920 be suitably amended so as to include the Mysore State Loan Securities as authorized securities under the Act. This has been approved by me and the Members of Council. I solicit His Highness' gracious approval to the issue of the letter.

Veeranna Gowda

12th Oct. 1920.

12

19

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Draft letter to the Residency soliciting amendment of Government of India Act XLVII of 1920 so as to include the Mysore State Loan securities as authorised securities.

477

Order.

~~KRM~~

14/10/20

K-G

14.10.20

13

G 884 479

G. R. S. III-2]

13

General and Revenue Secretariat.

G7 File No. 87 of 1920.

Serial No.

Subd for perusal

22-10-20

Letter No. 4154 d 15.10.20

Requests him to move the Govt. The Resident to forward with his support the representation of the Durbar re the amendment of Indian Act XLVII of 1920.00 as to include the mysr. Govt. State Loan securities as authorised securities.

No reply has as yet been received. ~~A reminder is submitted~~

Subd

2409 18/1

15-1-21

This is a matter which requires legislation if any legislation completed within We may wait for 2 months more.

22/1/21

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat.

File No. of 19

Serial No.

2873/4/3

Draft reminder submitted

Hsey) 18/4-3-21.

I think we may send a reminder: Unless we create a wide market for our Securities Our loan Operations Can not prove successful. As we now Shall borrowing is necessary every year. The amt to be borrowed may be small or large in particular years but borrowing will be necessary almost every year until the State's finances improves to the extent of permitting revenue Savings being made available for Cap expenditure. In view of this Situation our Securities must Command all the privileges of G.I Securities. Otherwise our loans flotation will be affected adversely. Before our next loan we must get this point Settled in our favour

Dewan 15 5/3/21

Draft approved by Dewan 9/3/21

Sent on 10.3.21

DEWAN'S OFFICE.
Rsod. on MAR 9 1921
Reg. No. 5773

NOTE—Contn. sheet.

G. R. S. III-2]

1979 Dy.No.7 15

General and Revenue Secretariat. | File No. 87 of 19 20.

Serial No.

To the Govt

No Pol 957-D 4.3.21

only a reminder

requests him to move the Govt of India to obtain early orders in the matter of the representation for the inclusion of the Mysore State Loan securities in the list of those in which the Imperial Bank is authorised to deal.

Govt

From the DAR.

No. 2741 / 1357/1920 D: 18.3.21.

A

with refce to Serial 1 states that the request of the Durbar for an amendment of the Imperial Bank of India Act XLVII of 1920 will be taken into consideration when the act next comes under amendment.

Subs for orders

Submitted for perusal.

19/3/20. Our request was for early action being taken in regard to the question of reciprocity for the acceptance of our securities in British India, by enabling the Imperial Bank of India to deal in such securities.

This was one of the points discussed

NOTE—Contn. sheet.

General and Revenue Secretariat. | Sy. P File No. 87 of 1928-24

Serial No.

in the Finl. members Secl. Deptl. action. The reply was received does not give us any indication as to when our reqst. will be complied with.

Dewan Chd
Offg. member

19.3.24

The reply means they are not willing to accept this amendment — as a sop. I request proposal. It is very disappointing.

12/3

Yr. a copy of this receiving Govt. members C.H.A. with a Final Note

well
24-3-21

26/3

DEWAN'S OFFICE.
Recd. on MAR 22 1921
Reg. No. 6031

69
21/3

DEWAN'S OFFICE.
Recd. on APR 8 1921
Reg. No. 6349

Subd with draft D.F.R. for approval ~~Other orders~~

3043 29/3/31 Hsus

Fin. member 29/3

29/3

29/3/24

Fin. member 30.3.24

288
31/3

Yes

NOTE—Contn. sheet.

Subd with D & R

7/4 7/4 Dewan

MK

18

Submitted to His Highness.

I submit herewith, for His Highness' gracious perusal, a Final Note by the First Member of Council on the subject of the amendment of Government of India Act XLVII of 1920 so as to include the Mysore State Loan Securities as Authorised Securities.

2. This decision of the Government of India will render it extremely difficult for us to obtain subscriptions to our next loan in British India. It is therefore necessary that some arrangement should, if possible, be arrived at by negotiation with the other leading Banks in India in order to induce them to promise advances to borrowers on the security of our bonds. This question will be further considered and proposals submitted to His Highness for orders.

13th April 1921

10.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Letter from the Residency replying to our request to amend the Government of India Act XLVII of 1920 so as to include th Mysore State Loan Bonds as authorised securities.

1090

Order.

~~KRW~~

16/4/21

H.4

22.4.21

R. S. III-2.

General and Revenue Secretariat.

2601/0

G.J. File No. 87 of 1920. 20

Serial No.

Refer para 2 of Dewan.

~~In his~~ Submission in note ~~the Dewan remarks that the matter will be further discussed and proposals submitted. May this await till the new loan is floated.~~

3544/25/4 Read 18th 23/4 Perusal 18 25/4

Please put up Mr Rose's D.O. on this subject as also some previous correspondence with Mr Sydenham Clarke Agent of the Imperial Bank Branch here.

7.6.21

NOTE—Contn. sheet.

3607

21

G. R. S. III-2]

General and Revenue Secretariat.

Fy. F File No. 87 of 1920-21.

Serial No.

An extract from the D.O. of Mr. Rose bearing on the point is put up vide flag X

The correspondence with ~~relating to~~ Sydenham Clarke is also put up (Flags U+T)

Submitted with reference to the Fl. Secy's note dy 7-6-21.

Submitted with an extract from the D.O. dated 29/6/21 of Mr. Rose 1-7-21

11.2/21. please see flag Y. There is no other reference in this Branch. The main file is separately under submission

Flag Y - The Captain Wise - Mian's a communication received from the Manager Mysore Mysore asking that the Govt. Photographer attached to the Commander in Chief's Camp may be allowed to photograph the Mysore Palace

Submitted 16/7/21

Flags U+T 15/7

Flags 167/20/7

18 15.7.21

I have asked Mr. Rose to discuss this matter with Sir Norval Warren if he gets an opportunity & do so. Mr. Rose's report may be awaited

Mrs 21-7-21 18

2

P.T.O.

NOTE—Contn. sheet.

Serial No.

As I have already reported, Mr. Rose could not discuss this question with Sir Norcot Warren, as he had left Bombay and gone to Calcutta. Every Banker and Broker with whom Mr. Rose discussed the question of placing our Loans on the British Indian Money market, is stated to have enquired, if our securities would be accepted as cover by the Imperial Bank of India for alowing accommodation. It is quite natural that this point should be raised by them, as the investing public, stock-brokers and Bankers can only be expected to deal in securities for which there is always a reasonable market and which, in the last resort, will be accepted by the Bankers' Bank in India, viz., the Imperial Bank of India.

Want of recognition of our securities by the Imperial Bank is therefore a serious handicap to our Loan operations outside the State. The Government of India have permitted us to float Loans in British India, but unless our bonds are accepted as security for loans by the Imperial Bank, we cannot expect the outside investing public to subscribe to our Loans.

Apart from the poor prospects open to our Loans in British India, in the absence of authority to the Imperial Bank to accept our bonds as security for loans and advances, and apart from the inconvenience caused to the holders of our bonds with no

NOTE—Contn. sheet.

93

facilities

Serial No.

facilities for freely negotiating them in British India, the absence of a wide market is a disability to which the holders of our securities, even within the State, are subject and such a disability has its adverse effect on the response to our Loans.

The position of the Bank of Mysore has also to be considered in this connection. In view of its relation with the Government of Mysore, the Bank has to accept our securities as first class cover, but it has not the certainty that such securities are perfectly liquid in the event of necessity to realise them or that they will be accepted as cover by other Banks for any accommodation which the Bank may require. As our public debt is increasing, the quantity of our securities upon the market is fairly heavy and a large part of it will find its way in one form or other to the Bank of Mysore. It may happen that the resources of the Bank may be unduly locked up in our securities which are not easily saleable or pledgeable and in such circumstances, the Bank may either be compelled to refuse to accept or negotiate our securities or find itself in a difficult position necessitating an appeal to the Government for financial assistance on our own papers.

In every way the disability to which our securities are subject is a serious matter and we must get it removed. The Government of India have indefi-

nitely

Serial No.

indefinitely postponed the consideration of our request for inclusion of our loans in the Imperial Bank Act. The Imperial Bank of India Act was passed only last year and it is uncertain when the Act next comes under amendment. In view of the serious inconveniences referred to above, it is not desirable to allow this question to lie over indefinitely and it is imperative to approach the Government of India for some solution, partial or full, of our difficulty.

There is no reason why the Government of India should not consider our request favourably. All our Loans are terminable loans and it is a cardinal feature of our financial policy to regularly set aside contributions from annual revenues for forming the Sinking Funds required for redeeming the debts on the dates of their maturity and in this respect our policy differs from that of the Government of India. If the Sinking Funds available from time to time are applied to the purchase of our securities at or below their issues prices, we shall ourselves be creating some market for our own paper; and from the point of view of the Sinking Funds themselves, we cannot have a better investment for them than in the purchase and cancellation of the debt itself. If the Government of India consider it necessary for the sake of negotiability and of the safety of the investing public to ask for the Sinking Funds being made directly avail-

able

B.R.R.

Serial No.

available to the Imperial Bank of India for enabling it to realise such of our securities as the Bank finds it necessary to sell but cannot otherwise dispose of, I see no objection to our complying with this condition, provided that a proportionate amount of the securities offering in the State is discharged with the funds placed at the disposal of the Imperial Bank. Once the Imperial Bank is authorised to deal in our securities, our bonds will find a ready sale in the Stock markets of India and London, with the consequential result that the quantity of them that will have to be purchased for the Sinking Funds through the Imperial Bank will not be large, and the amount set aside annually for purposes of the Sinking Funds will, I think, be adequate for ensuring the readiest sale of such of our securities as are likely to be offering in the market. If we agree to such a condition, any objection by the Government of India on the score of security and non-redemption of our loans for including our securities in the list of those in which the Imperial Bank of India is authorised to deal will be removed and it will make our request for recognition incontestable. With this recognition, our securities will circulate throughout India and with the whole of the Indian and the British Stock markets open to us, the problem of floating loans which is giving us so much trouble will also be solved, ~~The advantages~~

NOTE—Contn. sheet.

26

Serial No.

~~advantages~~ with the added probability of our being able to issue our future loans at lower rates of interest than would otherwise be the case. The advantages which will accrue to us by our agreeing to any such or other reasonable condition which the Government of India may impose for placing our securities on the list of those recognised by the Imperial Bank of India Act are very great and there cannot be any valid objection on the part of the Government of India to accede to our request, if the Sinking Funds are made available to the Bank as suggested above. Mr. Rose discussed this question during his recent visit to Bombay with Mr. Don, the Secretary & Treasurer of the Imperial Bank of India, Bombay, who while stating that without an amendment of the Imperial Bank of India Act, his Bank could not take our securities for any purpose, told Mr. Rose that there should be no objection on the part of the Government of India to authorise his Bank to deal in our securities, if we are prepared to make the Sinking Funds available to the Bank for realising our securities in the event of need. Mr. Don suggested to Mr. Rose that we should at once request the Government of India to pass the necessary amendment at the coming September session of the Imperial Legislative Assembly but I do not know if ~~the~~ other important business before the Assembly will make it possible for the Government of India to take

M

Serial No.

take up this matter at the next session. In any cas I think it is necessary to address them again immediately on the subject. If it is not possible to amend the Bank Act in the near future, we may request them to authorise the Imperial Bank of India to accept our securities in any form or on any conditions possible under the existing Act. We may state that without some such privilege allowed to our securities we shall not be able to get any benefit from the permission given by the Government of India for floating out Loans outside the State and that investors there who buy our bonds will be put to considerable inconvenience if they desire to realise their holdings.

A draft to the Residency is accordingly put up. A copy of it may be sent to the Imperial Bank Bombay with reference to Mr. Rose's interview Dewan with notedum. 4.8.21

P.S.-- I received Mr. Róse's letter of the 4th instant herewith put up, after I had written the above note.

The question of negotiability is discussed by him on pages 3 to 5 of his letter. In view of the great importance and urgency of the matter, he strongly urges that the representation had better be made personally to the authorities at Simla. It is our experience that important questions are settled neither

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Serial No.

neither satisfactorily nor promptly by correspondence with the Government of India. Action on other points mentioned in Mr. Rose's letter has already been --- taken.

The question of enfacement of interest at branches of the Imperial Bank of India is considered in another file submitted today.

Dewan) 5/8/21

[illegible]

6-8-21

DSN pontyp. 6.8.21

Dewan)

Submitted to His Highness.

In submitting for information on the 13th April 1921 the Residency letter dated 18th March 1921, regarding the proposal to include our securities in the list of those in which the Imperial Bank of India is authorised to deal, I stated that the decision of the Gowernment of India to put off the consideration of our request until the Imperial Bank of India Act is taken up for amendment, would render it very difficult for us to obtain subscriptions from outside investors to our present loans. The various difficulties due to the disability to which our securities are now subject, are explained in the Financial Secretary's Note dated the 4th instant and in Mr. Rose's letter of the same date. It is proposed to make another representation on the subject to the Government of India and the draft of a letter to the Secretary to the Hon'ble the Resident in Mysore is submitted for the gracious approval of His Highness. It is stated in the draft that, if it is necessary, we shall place a part of the Sinking Funds at the disposal of the Imperial Bank for realisation of our securities which come into the Bank's possession and which cannot be otherwise realised.

Pages 22 to 27 of office notes

W

Draft for approval

7th Aug. 1921

30

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Draft letter to the Residency on the subject of our request to include our securities in the list of those in which the Imperial Bank of India is authorised to deal.

Order.

9/8/21

2528

51)

G. R. S. III-2]

General and Revenue Secretariat.

S & File No. 87 of 1920

Serial No.

2 from the Secy to GOI
No 10529 S 3.12.20
states that the question is one which they cannot take the initiative for pressing & leave it to the Imp Bank of India to move the matter

The previous paper is flagged B.

Subj for orders

H. See 3

6/12/21 4S
6.XII.

1410/4 Pencil

Postal papers re Mr Rose's deputation to Calcutta & interview Sir Norcot Warren.

Secret
12.12.21

Please see flags B, H & M: re: the deputation of Mr Rose to Calcutta.

The papers relating to the interview with Sir Norcot Warren are flagged E. (Sls: 198-99).

H. See 3

16/12

1476/14/12 Subj more 13/12/21

32

The Government of India have declined to accede to our request. They refer us to the Imperial Bank of India and add that it is for that Bank "to move, if

NOTE—Contn. sheet.

Serial No.

if they are so advised, for the extension of their powers". I would invite attention, in this connection, to the report of the interview which Mr. Rose had, at our instance, with the Managing Governors of the Bank and to the Governors' reply communicated --- through Mr. Rose. The Governors state "we regret we are still unable to add ~~xx~~ anything to what we said during our interview". It is clear, therefore, that neither the Government of India nor the Bank is willing to help us. I personally do not believe that the latter can really get ~~the~~ an Imperial Bank passed amendment of the Act without the active assistance of the former and such assistance, it is clear from the Residency letter of the 3rd December 1921, ~~they~~ Govt of India are not willing to extend to us. We have done all we could to get "recognition" for our securities but the Government of India remain obdurate They add that "the grant of the concession in question in regard to the securities of one State might create an invidious position as regards those of others". We never asked for any special privilege and there is no reason why other States, equally circumstanced, should not also have their securities "recognised". The Governments of Indian States have to raise public loans in the same way as the Government of India and the Governments of the Provinces and it is difficult to see why public borrowing by Indian States should be handicapped

Serial No.

handicapped by withholding "recognition" to their securities and why such States should be placed at a disadvantage in floating loans as compared with the Central and Provincial Governments. I fear that we shall have to borrow again in the future but the disability created by the want of "recognition" to our securities will make it difficult for us to borrow and compel us to offer more onerous terms than otherwise.

We recognised the securities of the Government of India for all purposes and it is a pertinent question ~~xxxxxx~~ to be considered in this connection --- whether, if our securities do not get "recognition" in British India, the bonds of the Government of Indi should be accepted as security deposits or as Trustee securities in Mysore.

15/12/21

Dewan

DEWAN'S OFFICE.
Rcd. on DEC 16 1921
3377

34

387

R. S. III-2]

General and Revenue Secretariat. | G.7 File No. 87 of 1920.

Serial No.

3377

The Imperial Bank of India might be addressed and informed of the reply received from the Government of India. In their interview with Mr. Rose, both Sir Narcot Warren and Mr. Murray are reported to have been sympathetic and to have stated that the Act will have to be amended eventually. They only considered that the time was inopportune to move in the matter at once. Even if they should consider that the time has not yet arrived for them to move the subject, it will be a great point gained if we could gain the promise of their future support after the present political unrest has died down. The difficulty pointed out by the Government of India has already been met by Mr. Rose in his interview with the Directors and their attention may be invited to it. A copy of the letter addressed by Mr. Rose to the Secretary describing the interview may be sent for record in the offices of the Imperial Bank if it has not already been done.

17.12.21

17-12-21

Draft

21/11/21

26-12-21

Draft approved by Dewan
29/12/21.

29-12-21.

DEWAN'S OFFICE.
Rcd. on DEC 27 1921
Reg. No. 3530

NOTE—Contn. sheet.

B.C. 1

3185 (57)

G. R. S. III-2.

General and Revenue Secretariat.

File No. 87 of 19 to

Serial No.	
87	To the Managing Governors No. Je 3389/87.87.20.3D 5 22 requests them to take the initiative in the matter of securing the amendment of the Imperial Bank of India Act 1920
4	From the Managing Governors No. 268.D.3.22-2 State that they do not feel prompted to approaching the G.G.C with proposals for the amendment of the Act Submit for orders as to whether this may be recorded for the present It is not clear what the Board's reply signifies. It is doubtful if the Bank will ever take the initiative in the matter. If it does not, the question is what is the action to be taken to secure the recognition regd to remove the disabilities of Govt loan bonds to secure under existing conditions for their being easily marketable in the Secondary Market. Attention is invited to the last para of H Secy's note of 15.12.21

DELHI'S OFFICE,
Rec'd on FEB 18 1922
Reg. No. 4412

NOTE—Contn. sheet.

H Secy / Dewan 21.2.22 — Mem 14/2/22 — Mem 18.2.22 — 20/2/22

D.O.No.319.

The Palace, Mysore,
14th June 1922.

My dear sir,

In returning herewith the papers relating to the question of Mysore securities, sent with your demi-official letter dated 24th April, I am directed to say that it was not considered expedient to discuss this question at Simla, and no action was therefore taken in the matter.

Yours sincerely,
Sd. Mirza M. Ismail.

A.R.Banerji, Esq., C.S.I., C.I.E.

****

Copy forwarded with compliments to the Financial Secretary to Government. The two files received with the above (G.F.No. 87 - 20, Srl.1 and 2-4) are also [redacted]. Secretary.

Camp Mysore,
14th June 1922.

15.6

[redacted] 16/6/22

These papers seem to be of sufficient importance to be printed. May they be sent for print?

16/6

Yes
17.6.22

Please arrange for this early

17.6.

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

9787-201

Messrs. Soojanmull, Samirmull, Oodemull, Chandmull, Bikaner,
" Soojanmull Siremull, Begoo.
" Tiloksi Amarsi Nathmull, Benares City.
" Oodemull Chandmull, 11, Clive Row, Calcutta.
" Amarsi Soojanmull, Hyderabad Dn.
" Amarsi Soojanmull, Madras.

Seth Chandmull Dhudha, C.I.E.

BANKER & COMMISSION AGENT.

133, Mint Street, Sowcarpet,

640/

Madras, 4 th September 19 20

M.N.Krishna Rao Esqr.
Financial Secretary to
the Govt. of Mysore.

Dear Sir,

I shall feel obliged if you will favour me with a copy of the Prospectus of the 6¼% Mysore Bonds.

If the Prospectus does not state will you let me know if any arrangement has been made with the Govt of British India under which these Bonds can be ~~held~~ accepted as Securities in British Offices.

Yours faithfully.

Nawlal Sl

For Seth Chandmull Dhudha.

38

D.O. No. 148 dated 6/9/1924

Draft.

87-20-2

Dear Sir,.

Your letter of the 4th instant.

~~Mysore bonds are accepted as security by British offices and~~ Government of India bonds are accepted by us as security -- deposits. & We are receiving E & Imp 1920 loan

Yours faithfully,

receiving 1920 loan
bonds in British offices
as in the recent
Indian Imp
Loan

(Financial Secretary)

To

Seth Chandmull Dhudha, Esq., C.I.E.
Banker & Commission Agent,
133, Mint Street, Sowcarpet
Madra

39

(3)

To

Pol 454/4787-20-B.

The First Assistant
to the Hon'ble the Resident
in Mysor

Bangalore.

15th October 1920

Sir,

The Durbar recently floated a public loan and with the permission of the Government of India they accepted subscriptions to it from investors in British India also. The holders of the securities of the Mysore Loan in and outside the State are at a disadvantage in that their holdings cannot be accepted as primary security for granting accommodation by the present Presidency Banks and the Imperial Bank of India which will take their place. The securities of the Government of India are accepted in the State as original cover for loans granted by all Banks and as security deposits by the Mysore Government and also by Companies and private persons, taking such deposits in the course of their business. Investments of Trust Funds in the securities of the Government of India are also made. It is necessary, therefore, to arrange for a corresponding privilege in British India for the securities of the Government of Mysore. Without this reciprocal arrangement, much inconvenience will be experienced by holders of securities of one Government in transacting business based upon them in the jurisdic-

M/1910.

jurisdiction of the other.

The Imperial Bank cannot, according to the law recently passed, deal in securities of the Mysore Government and the disability under which the holders in and outside the State of the Mysore Government securities, are thus placed puts them to much inconvenience and it also tends to narrow the market for such securities. In view of the altered conditions under which Local Governments will have to raise their own loans, the new law provides for the Imperial Bank dealing in securities of such Governments. The position of the Mysore Government in this respect is the same as that of any other local Government in British India and it is necessary therefore to accord the same treatment to the securities of both. Even the securities issued by State aided Railways and debentures and other securities of District Boards are included in the list of securities in which the Bank can invest its funds and which it can accept as original cover for allowing accommodation.

In these circumstances, The Durbar believe that their request for the inclusion of their securities in the list of ~~securities~~ those in which the Imperial Bank is authorised to deal will be considered as reasonable by the Government of India and they would accordingly request that Act XLVII of 1920 may be suitably amended. The insertion of the words "or the Government

or

of Mysore" after "the Government of Ceylon" in Schedule I, Part I, (a) (i) would place the securities of the Mysore Government on the same footing as those of a Local Government.

I am to request you to be so good as to move the Hon'ble the Resident to forward with his support the representation of the Durbar for the favourable consideration of the Government of India.

I have, etc.,

Financial Secretary to Govt.

(6)

G. R. S. VI—G/32]

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat
( )
the *191* .

Section
File No.
Serial No

No. Pol 957

Date of issue 11th March 1921

To

The D.A.R

Signed by Mr. M. R. Krishna Rao Sir

I am directed to invite your
Dubai
reference to letter No Pol 457 dated
15.10.20. in the matter of the
~~Dubai's representations re the amend~~
~~ment of Indian Act XLVII of 19~~
for the inclusion of
~~so as to include~~ the Mysore State
Loan Securities ~~as authorised Securities~~
~~The Dubai will be obliged if you~~
~~can very~~ kindly obtain the orders
of the Govt of India as early as possible

in the list of those in which the I. Bank is authorised to deal and request that you will kindly bring the decision to the notice of the Resident to

over.

I have the

9.3.21

11/3/21

18
4/3/21

5/3/21

Pol 1442

GEN. REV. SEC.
18 MAR 1921

3605
(7)
37-8-20
4

R. O. 2.—R. P. B.—12-1920.—1000.

No. 2741
I35/I920

From

MAJOR C. T. C. PLOWDEN, I. A.,
FIRST ASSISTANT TO THE RESIDENT IN MYSORE.

To

The Secretary to the Government of
His Highness the Maharaja of Mysore
Financial Department.

Dated Bangalore, 18 March 19 21

Sir,

I am directed to refer to your letter No. Pol. 454, dated the I5th October I920, and your reminder No. Pol. 957, dated the IIth March I92I, regarding the request of the Durbar for an amendment of the Imperial Bank of India Act, XLVII of I920. The Government of India state that, when the Act next comes under amendment, the Durbar's request will be taken into consideration.

I have the honour to be,
Sir,
Your most obedient servant

for FIRST ASSISTANT RESIDENT.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

The Bank of Mysore Ltd.,

D

Confidential

No DO

Bangalore 4th August 1921

MYSORE GOVERNMENT LOANS 1921.

Dear Mr. Krihsna Rao,

As requested in your D.O. No.F.L./283/GF.6-21-3 dated the 20th July 1921, I proceeded to Bombay on the 22nd arriving there, at midnight, on the 24th instant.

Knowing the commanding position enjoyed by Mr. Dadabhoy Merwanjee Dalal in financial circles, I decided to call on him first to secure his firms co-operation, and learn his views as to the measures I should adopt to ensure a friendly reception to the Government Loans from the local Banks etc. After explaining to him the objects for which the loans are required, and the particulars of the issues, our discussion finally centered round the question of negotiability of the loans, a matter which he said was vital to the success of any issue in Bombay, and consequently it was necessary for me to obtain the co-operation of the Imperial Bank to overcome this important drawback to loans not coming within the provisions of the Imperial Bank Act. In the unfortunate absence of the two Governors of the Imperial Bank, Mr.

Mr. Dalal kindly promised to arrange an interview for me the next day with the local Secretary & Treasurer of the Imperial Bank, Mr. Don. Pending this interview I called on the Managers of the following Banks

i. The Alliance Bank of Simla Ltd.,
ii. The Bank of India Ltd.,
iii. The Central Bank of India Ltd.,
iv. The Eastern Bank Ltd.,
v. The Mercantile Bank of India Ltd.,
vi. Chartered Bank of India,Australia & China,
vii. National Bank of India Ltd.,
viii. Tatas Industrial Bank
ix. The Imperial Bank of India and
x Messrs. Premchand Roychand & Co., the second leading Stock and Share Brokers in Bombay.

My reception at the hands of the several Managers of the Banks was most friendly, and all expressed their willingness to receive subscriptions towards the loans and to grant advances on the conditions stated in your D.O. letter of the 20th July 1921 No.F.L.282/GF. 6-21-30. The question of the non-negotiability of the loan is also a stumbling block to these Banks directly participating in the issue, but as I had not then discussed the matter with Mr. Don, I was unable to give them any assurances on the point. It might be pointed out

here that the sole reason for the nonparticipation of the Joint Stock Banks in the loan is entirely accountable to the fact that they themselves would not be able to secure advances from the Imperial Bank of India on the security, should occasion arise.

After these several interviews, Mr. Dalal introduced me to Mr. Don, and left us to discuss this matter of negotiability of the State Loans. I explained to Mr. Don the reasons for the flotation of the Loans, and the general financial position of the State with its 50% surplus of assets over liabilities. I, also, suggested that to secure negotiability as well as engender confidence in the investing public, the Durbar would be prepared to consider the matter of placing the annual contributions towards a sinking fund, to redeem the loans at maturity, in the hands of the Imperial Bank of India; in fact, the Durbar on its part was prepared to consider any measures necessary to secure their two principal aims viz. the negotiability of their loans in India coupled with the safety of the investing public. I asked Mr. Don to state what further conditions could secure these aims, to which he replied that the proposals to place in their hands the necessary funds to ensure redemption at maturity, and the enfacement of interest at any Branch of the Bank or Treasury of the Government of India, were excellent and all that were necessary. He concluded the

interview by stating that it now only remains for the Durbar to bring all possible influence to bear on the Financial Department of the Government of India, and to ask for the early introduction of an amending bill to the Bank Act as the absence of a provision in the Act authorising the Imperial Bank of India to invest in, or to make advances on, loans issued by the Durbar was a fatal obstacle, and a serious attempt should be made to get over the legal difficulty.

The matter is, also, not without political significance as Mysore could not stand alone in having its loans being made negotiable under the Bank Act. This is a point which I am strongly of opinion could be best discussed in a personal interview with the Financial Member of the Government of India. It is such an easy matter to turn down a request contained in a letter, on what may appear sufficiently good grounds, but difficult when one's position is shown by a free discussion to be unassailable. I am therefore of opinion that some immediate attempt should be made by the Durbar to send an influential deputation to Simla and arrange for an interview with the Viceroy - a very natural request to come from a State desirous of raising its credits with the financial institutions outside the State, and to promote investments in State securities by all classes.

The securing of the negotiability for loans of the Durbar will in every way prove of the greatest benefit to the State and its people. The State Loans will thereby be in demand in British India, and also be the means of making future issues possible at a lower rate of interest. The question is one which is deserving the attention of the Council of Princes, and the consideration by that assembly of some reciprocal agreement between the Govt. of India and Native States in the matter of their respective public loans. At present the Government of India alone enjoy the privilege of such an arrangement in Native States. It is well known that the Government of India are anxious to encourage the development of Industries, and the creation of such, coupled with the extension of Railways, are not going to benefit the particular State introducing such Industries only, but the whole of India, and there can be no more effective way to check such economic progress than by restricting the negotiability of securities of Native States to its territorial limits. The credit of the Durbar stands high in the eyes of Bombay Financial Institutions, an asset of the highest importance, and one which cannot be allowed to depreciate without seriously affecting the present as well as future advancement of the State and the welfare of its people.

Enfacement of interest payable at the Branches of the Imperial Bank of India.

I allowed Mr. Don to peruse your D.O.letter of the 21st July 1921 wherein you express your wish to have altered the present proceedure of having the payment of interest in India on Mysore Government Bonds made by Direct communication through the Imperial Bank of India instead of through the Accountant General of the Province Before giving me a reply Mr. Don wished me to interview the Deputy Controller of Currency, (Mr. Denning) and ascertain if he had any objections to the suggested alteration. Mr. Denning informed me that there would be no objection on the part of the Government of India to such an arrangement being made by the Durbar, and considered the proposal one likely to popularise investment in th State Loans. I informed Mr. Don of Mr. Denning's opinion, and the former then requested me to ask the Durbar to write to the Imperial Bank of India on the subject, and in the meantime he would peruse all the correspondence, and give his reply as soon as he receives your proposal.

Deposit of Bonds with the Imperial Bank of India

Mr. Don expressed his willingness to receive bonds in temporary safe custody, and to make delivery against payment over the counter, or to the above Banks

on the terms stated in your D.O. letter of the 20th July 1921. You will please address him also on this subject. He is also agreeable to allow all the branches of his Bank to receive subscriptions to the new loans, and for you to announce the fact in your public advertisements of the loans.

The Times of India Publishing Press.

On the advise of Mr. Don, I called on the Managing Director of the Times of India Press, Mr. Pearson, and asked for his assistance in the printing of application forms etc, and for the issue of same to the Banks on application from time to time. He expressed his willingness to undertake the work, and I think the arrangement will save delay in Banks getting forms when required as well as save the cost of transmission etc. to the several Banks.

Advertising the Loans in Papers.

It is desirable to have frequent and effective advertisements in the principal daily papers, both English and Vernacular, from time to time. Advertisements in squares of about six inches catch the eye at once.

I would now ask you to kindly address the several Banks abovementioned asking for their co-operation in the flotation of the New State Loans on the terms and

and conditions mentioned in your D.O. letter of the 20th July 1921. They all agreed to your mentioning their name in any public advertisement of the Loans.

Yours Sincerely,

M. N. Krishna Rao Esq.,
Financial Secretary to the Government
of His Highness the Maharaja of Mysore,
B a n g a l o r e .

9787-2675

Draft.

Rd 1464.

10th August 1921

To

The Secretary to the Hon'ble
the Resident in Mysore,
Bangalore.

Dated, Bangalore, the August 1921.

Sir,

I am directed to invite reference to the correspondence ending with your --- letter No.2741/135/1920 dated the 18th March 1921, communicating the orders of the Government of India that the request of the Durbar for an amendment of the Imperial -- Bank of India Act XLVII of 1920 will be taken into consideration when the Act next comes under amendment. The Act was passed in 1920 and it is not known when it is likely to be taken up for amendment.

2. With the permission of the Government of India the Durbar issued their last loan in British India, but the response was very limited. This year again the Durbar are, with the same permission, inviting subscriptions to their loans, open from the 1st instant from investors in British India but they fear that the result is not likely to be different from what it was on the last occasion. The only reason for the failure of response on the part of the investing public is the absence of a ready market in British India for the securities of the Durbar. Investors, Bankers and

Brokers

17)

Brokers an British India wanted to know last year, if the bonds of the Durbar's 6¼ % Loan of 1920 would be accepted by the Imperial Bank of India as primary security in the matter of allowing accommodation. As the Durbar's securities do not enjoy such a privilege under the Imperial Bank Act, the attempt to float the last loan in British India was practically a failure. This year again the same question has been repeated and as the legal position under the Act in respect of the Durbar's securities, remains the same, the prospect of the Durbar being able to obtain any part of their loan from investors outside the State cannot but be poor. The few subscribers that invested in the bonds of the last loan and those that may invest in bonds of the present Loans, are and will continue to be put to considerable inconvenience, as Bankers and Brokers are unwilling to advance on or deal in them until they are legally assured that the Imperial Bank of India is empowered to grant accommodation on the security of such bonds. It will thus be seen that the Durbar cannot, without the inclusion of their securities in the Imperial Bank of India Act get the full benefit of the permission so kindly accorded by the Government of India for floating their loans in British India. The capacity of the money market in the State always a very limited one is more so this year as the people of the State invested as much as about 120 lakhs in the 6¼ % loan of last year and consequently the Durbar cannot but look to the investors in British India for

for absorbing the present loans.

3. As represented by the Durbar in their letter of 15th October 1920, the securities of the Government of India are accepted in the State as primary cover for loans granted by all Banks and for all monetary guarantees by the Durbar and also by all companies and private persons. The investment of Trust Funds and also of the State Funds is authorised. What the Durbar now ask for is the same reciprocal treatment for their securities in British India as that accorded to the securities of the Government of India in Mysore.

4. It may be mentioned here that the Imperial Bank of India is authorised under the Act of 1920 to deal and invest in securities of Local Governments of the Government of Ceylon and of State-aided Railways and in Debentures and other securities issued by or on behalf of District Boards and the Durbar would submit that their securities are in no way inferior in point of security to such authorised securities. The extension of the same concession to the securities of the Durbar may, therefore, be kindly sanctioned.

5. The loans raised by the Durbar are all terminable loans and it is a cardinal feature of their financial policy ~~to form Sinking Funds for the~~ to discharge ~~of~~ the loans on the dates of their maturity and not by means of fresh borrowing. When the service of the loans and the security for the investing public are thus fully assured, the Durbar consider

10

consider that there can be no valid objection to the inclusion of their loans in the Imperial Bank of India Act. If, however, it is considered necessary to make available for the Imperial Bank of India any part of the Sinking Funds to be utilised by the Bank for the realisation of such securities of the Durbar as the Bank finds it necessary to sell but cannot otherwise dispose of, the Durbar will make the necessary arrangements for placing such amounts at the disposal of the Bank for the object stated.

6. It will be ~~xxx~~ seen from what is stated above that the recognition which the Durbar reques for their securities ~~is~~ a matter of great urgency and they will be much obliged if the Hon'ble the Resident will kindly support their representation and move the Government of India to accede to their request. The Durbar will esteem it a favour, if the necessary amendment of the Bank Act can be passed at the next session of the Imperial Legislative Assembly, as it will result in an immediate response from the investing public to their present loans which, if necessary, will be kept open until the end of October. 1921

7. If it is not possible to include ~~this~~ their Securities in the Imperial Bank Act at the next session of the Legislative Assembly, the Durbar will be obliged for any other alternative arrangement which is immediately possible and which as a provisional measure will secure to their loans the required recognition by the Imperial Bank of India.

6-8-21

I have, etc.,

Financial Secretary to Govt.

4-8-21

G. R. S. III—3]

ROUTINE NOTES.

R. O. 2.—R. P. B.—8-1921.—2,000

No. 10529 Pol 714 Enclos. Dated Bangalore, 3rd December 1921.

D 2598/4787-16

From

Major C.T.C. Plowden, I. A.,
SECRETARY TO THE RESIDENT IN MYSORE.

To

The Financial Secretary to the Government of
His Highness the Maharaja of Mysore.

Subject.- Amendment of the Imperial Bank of India Act, 1920.

Sir,

I am directed to refer to your letter No.Pol.144, dated the 10th August 1921, regarding the amendment of the Imperial Bank of India Act, 1920, so as to include the securities of the Durbar in the list of securities in which the Imperial Bank of India is authorised to deal.

2. The matter was referred to the Government of India who have replied that they do not think that the matter is one in which they can properly take the initiative, and that they would prefer to leave it to the Imperial Bank of India to move, if they are so advised, for the extension of their powers. The Government of India add that it is clear that the grant of the concession in question in regard to the securities of one State might

d routine notes be written on small sl ps
: notes must be cipoed, or slips pasted on
s form.

Fair Draft.

No X3389/9787-20
25 Jan 1921

The Managing Governors,
Imperial Bank of India,
Central Office,
CALCUTTA.

Gentlemen,

I am directed to invite your reference to the interview of Mr.W.C.Rose, Manager of the Bank of Mysore, with you on the 2nd September 1921 on the question of obtaining recognition to the securities of the Mysore Government under the Imperial Bank of India Act 1920. A copy of Mr.Rose's letter to the Mysore Government in this matter is appended for reference.

The Durbar have been in correspondence with the Government of India ~~through the Residency~~ in this matter who have replied (copy appended) that they would prefer to leave the initiative to the Imperial Bank of India. The Mysore Government understand from Mr.Rose that their request was viewed by you with sympathy and that you considered as reasonable the request for including their securities in the list of those in which the Bank is authorised to deal.

In view of the reply of the Government of India, the Durbar would be much obliged to you if you will kindly use your good -

take the initiative with a view to certain early amendment of the Act.

offices and [have the necessary amendment of the Act passed.]

28/12/21

I have etc,

26-12-21

Financial Secretary to Govt.

G. R. S. III-2,

General and Rev
Secretariat. | File No. | of 19

335 '9

D 3155

Imperial Bank of India. G787-20 268

ALL LETTERS TO BE ADDRESSED:-
IMPERIAL BANK OF INDIA,
CENTRAL OFFICE
POST BOX NO. 346.
TELEGRAPHIC ADDRESS:-
APEX, CALCUTTA.

CENTRAL OFFICE

Calcutta 3rd February 1922.

The Financial Secretary to the
Government of His Highness the Maharaja of Mysore,
Financial Secretariat,
Bangalore.

Sir,

We have the honour to acknowledge receipt of your letter No.Fl.3389/GF.87-20 dated 5th ultimo. in which you refer us to our interview with Mr. W. C. Rose on the question of obtaining recognition to the securities of the Mysore Government under the Imperial Bank of India Act 1920.

After very full consideration we regret that under present circumstances we do not feel justified in approaching the Government of India with proposals for amendment of the Act

We have the honour to be,
Sir,
Your most obedient servants,

Managing Governors.

NOTE—Contn. sheet.

Previous references—

FILE No. 87 of 1920.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

PROCEEDINGS OF THE GENERAL AND REVENUE DEPARTMENTS.

GENERAL FINANCE.

"A" Collection **Serial Nos. 1-8.**

Amendment of the Imperial Bank of India Act of 1920, to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Bank.

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1	Letter No. 640, dated 4th September 1920, from Mr. Seth Chundmall Dhudha. Enquires if any arrangement has been made with the Government of British India under which the Mysore Loan Bonds can be accepted as securities in British offices.	..	9
2	D. O. No. Fl. 148, dated 6th September 1921, from the Financial Secretary, to Mr. Chundmall Dhudha. States that Government of India Bonds are accepted as security in Mysore and that arrangements are being made for securing reciprocity for Mysore papers in British offices.	..	9
3	Letter No. Pol. 454, dated 15th October 1920, from the Financial Secretary to the First Assistant to the Hon'ble the Resident in Mysore. Requests him to move the Hon'ble the Resident to forward with his support the representation of the Durbar *re* the amendment of the India Act, XLVII of 1920, so as to include the Mysore Government Loan Securities in the list of those in which the Imperial Bank is authorised to deal.	..	9
4	Letter No. 2741—1351-1920, dated 18th March 1921, from the First Assistant to the Resident to the Financial Secretary. With reference to Serial 3, states that the Durbar's representation will be taken up when the Imperial Bank of India Act of 1920 next comes for amendment.	..	10
4 A	D. O. Letter dated 4th August 1921, from the Manager, Bank of Mysore, to the Financial Secretary. Forwards report of his interview with Mr. Don, Secretary and Treasurer, Imperial Bank of India. Bombay.	..	10—12
5	Letter No. Pol. 144, dated 10th August 1921, from the Financial Secretary, to the Secretary to the Hon'ble the Resident. Requests under the circumstances represented that the Durbar's securities may be included in the list of those in which the Imperial Bank of India is authorised to deal.	..	13
6	Letter No. 105-29, dated 3rd December 1921, from the Secretary to the Resident, to the Financial Secretary to Government. With reference to Serial 5, states that the matter is one in which the Government of India cannot properly take the initiative and they would leave it to the Imperial Bank of India to move in the matter.	..	13
7	Letter No. Fl. 3389, dated 5th January 1922, from the Financial Secretary, to the Managing Governor, Imperial Bank of India, Calcutta. Requests them to take the initiative in the matter of securing the amendment of Imperial Bank of India Act.	..	13
8	Letter No. 268, dated 3rd February 1922, from the Managing Governors to the Financial Secretary to Government. States that they do not feel justified in approaching the Government of India with proposals for the amendment of the Act.	..	13

GENERAL AND REVENUE SECRETARIAT.

(General Finance.)

NOTES.

File No. 87 of 1920.

Acceptance of Mysore Government Securities as primary cover for loans to be advanced by Presidency Banks.

We have to raise a fairly large amount in the form of public loans for our productive public works now in progress. It may become necessary to undertake more works of the same character and they can only be financed from public loans. The question, therefore, of creating as wide a market as possible for our securities requires consideration. Unless there is a large and ready market for our securities, people will not be inclined to invest their money in them. We have applied for the permission of the Government of India to float our loan in British India also but people there, may not be willing to subscribe to our loan unless Banks and Stock markets in British India freely deal in our securities.

2. We have made arrangements with the Government of India for disbursing the interest due on our securities from all British Indian Treasuries. We have also arrived at an understanding of reciprocity with the same Government in regard to the levy of income-tax. One more essential convenience should, however, be provided to induce investors in British India to go in for our securities, *viz.*, authority to the Presidency Banks to deal in our securities. If these Banks are permitted to invest their funds in our loans and to accept our bonds as security for loans made by them, other Banks in British India will follow them.

3. I request reference in this connection to Section (8) of the bill for the constitution of the Imperial Bank of India, now before the Imperial Legislative Council. It will be seen from the schedule referred to in this section that the Presidency Banks and the Imperial Bank of India which will take their place, are not authorised to invest their funds in securities of Indian States or to accept them as primary security for lending money. The Presidency Banks can invest their funds only in the following securities:—

(1) Trustee securities.

(2) Securities of Local Governments.

(3) Securities of the Government of Ceylon.

(4) Securities issued by State-aided Railways and authorised by the Governor-General, and

(5) Debentures or other securities issued under the authority of any Act of a Legislature established in British India, by or on behalf a District Board.

When securities of Local Governments, State-aided railways and even District Boards are included in the list, there should not be any objection to include in it securities of the Government of Mysore.

4. In the list of securities which the Presidency Banks can accept as primary security for lending money, even fully paid up shares and debentures of companies with limited liability are included, and the request for inclusion in the list of securities of public loans raised by the Government of Mysore cannot also be considered unreasonable.

5. In the circumstances explained above, it seems to me that it is necessary to request the Government of India to permit the Presidency Banks to deal in our securities, both for investment of their funds as also for accepting them as primary security for making loans. The bill for constitution of the Imperial Bank is now before the Legislative Council and if our request is complied with, the present is a favourable opportunity for suitably amending the law on the subject.

6. If however, it is considered desirable to consult one of the Presidency Banks in the matter, we might write to Sir Bernard Hunter of the Bank of Madras or the Secretary and Treasurer of the Bank of Bombay and ascertain from him to what extent under the law now in force, the Presidency Banks can deal in securities of the Government of Mysore and what objections there are to treat them in the same way as the securities of a Local Government in British India for purposes of investment of the Bank funds as also

of advancing money on them accepting them as the primary security. Incidentally, we may also enquire what help the Bank can render us in connection with our loan, if it is thrown open for subscription by persons in British India. The usual commission would of course be paid for the service rendered.

M. N. K.
1-9-1920.

Neither under the Presidency Banks Act nor under the Bill for establishing the Imperial Bank of India now before the Legislative Council, can Presidency Banks invest in securities of Indian States or even accept such securities as primary cover for giving loans. The Presidency Banks can now invest their funds only in the following securities:—

(1) Trustee securities.
(2) Securities of Local Governments.
(3) Securities of the Government of Ceylon.
(4) Securities issued by State-aided Railways and authorised by the Governor-General, and
(5) Debentures or other securities issued under the authority of any Act of a Legislature established in British India by or on behalf of a District Board.

When securities of Local Governments, of State-aided Railways and of even District Boards are included in the list, there should not be any objection to include in it securities of the Mysore Government.

In the list of securities which the Presidency Banks can accept as primary security for lending money, even fully paid up shares and debentures of companies with limited liability are included and the request for inclusion in the list of securities of public loans raised by the Government of Mysore cannot be considered unreasonable.

If the Presidency Banks cannot make investments in our securities, there should at least be no objection to accepting them as primary securities for loans. The Imperial Bank Bill and a draft note which I had written on this subject are put up. The securities of the Government of Ceylon are accepted under certain conditions. We might request that at least a similar consideration may be shown to our securities.

M. N. K.
1-9-1920.

Letter dated 4th September 1920, from Mr. Chandmull Dhudha enquiring if Mysore paper be accepted as securities.

I put up a letter of enquiry by one Mr. Seth Chandmull Dhudha, C.I.E., of Madras, desiring to know if our bonds would be accepted as security by British Officers. I understand from the Comptroller that there have been instances in the past in which our bonds have been accepted as security deposit by British Officers. I have asked for instances being shown to me. I propose to reply to Mr. Seth Chandmull as in the draft put up, after verifying the fact of the acceptance of our pro-notes as security in the past as stated by the Comptroller's Office.

I would in this connection suggest the necessity of coming to an arrangement with the Government of India in regard to the acceptance of our bonds as security deposits of contractors and others by the British Government. We accept their bonds as security deposits and this is a matter in which reciprocity should be permitted. This point also is therefore proposed for discussion with the authorities at Simla.

M. N. K.
6-9-1920.

I think it is better to verify and get the acceptance confirmed. A reply may be sent that action is being taken to secure reciprocity. A note may be sent to me.

A. R. B.
6-9-20.

D. Q. No. Fl. 148, dated 6th September 1921, from the Financial Secretary, to Mr. Chandmull Dhudha stating that arrangements are being made for securing reciprocity for Mysore papers.

Reciprocity for acceptance of our bonds as security deposits in British India.—We accept as security deposits the securities of the Government of India. It is necessary to arrange for the acceptance of our bonds as security deposits by the Government of India and Provincial Governments. The bonds of our previous loans have been accepted as the security deposits of contractors and others by some offices under the Government of Madras. What is now required is the inclusion of our bonds in the list of securities authorised by the Government of India as acceptable as security deposits. If this reciprocal arrangement is not permitted, it will not be possible for us to take the securities of the Government of India as security deposits.

Forwarded to the Private Secretary to the Dewan. The Dewan has ordered the inclusion of the above as one of the points for discussion at Simla

M. N. K.
7-9-1920

Draft submitted as directed by the First Member.

M. N. K.
5-10-20
A. R. B.
6-10-21

A revised and amplified draft is put up. The Imperial Bank is not permitted to invest in the shares and debentures of Joint Stock Companies. It is only authorised to accept them as cover for granting accommodation. I have not, therefore, referred to these shares and debentures in the draft as we propose to request the Government of India to allow the Imperial Bank not only to accept our securities as cover for granting accommodation, but also to invest in such securities if the Bank chooses.

M. N. K.
7-10-20

May be submitted to the Dewan for perusal and circulation.
This is dealt with in my Simla notes of discussions.

A. R. B.
8-10-20

For rapid circulation to Second and Third Members and a D. S. N.

M. K.
11-10-20

I agree.

This is just what was suggested to me by the Agent of the Bank of Madras, Bangalore, at a private personal conversation and which I placed before the council at one of its meetings in August last. It will be a great point gained if our proposal is accepted by the Government of India.

P. R. R.
11-10-20

I agree.

M. H. H.
12-10-20

Submitted to His Highness.

These papers relate to the acceptance as primary security, for the purpose of advancing and lending money, etc., by the Presidency Banks (and the Imperial Bank of India) of the Mysore State Loan Securities.

2. The securities of the Government of India are being accepted in the State as original cover for loans granted by all Banks and as security deposits by the Government, and it is hoped to have, through the good offices of the Government of India, a reciprocal arrangement whereby a corresponding privilege is afforded to the State Loan Securities.

3. A draft of a letter to the First Assistant to the Hon'ble the Resident has been prepared setting forth the circumstances and requesting that Act XLVII of 1920 be suitably amended so as to include the Mysore State Loan Securities as authorized securities under the Act. This has been approved by me and the Members of Council. I solicit His Highness' gracious approval to the issue of the letter.

M. KANTARAJ URS.
12-10-20

Order.

K. R. W.
14-10-20

Letter No. Pol. 454, dated 15th October 1920, to the First Assistant Resident.

Requests him to move the Hon'ble the Resident to forward with his support the representation of the Durbar re *the amendment of India Act, XLVII of 1920 so as to include the Mysore Government State Loan securities as authorised securities.*

I think we may send a reminder. Unless we create a wide market for our securities, our loan operations cannot prove successful. As we now stand, borrowing is necessary every year. The amount to be borrowed may be small or large in particular years, but borrowing itself is necessary almost every year until the state of the finances improves to the extent of permitting of revenue savings being made available for capital expenditure. In view of

this situation our securities must command all the privileges of Government of India Securities. Otherwise our loan floatations will be affected adversely. Before our next loan, we must get this point settled in our favour.

M. N. K.
5-3-21

Draft approved by Dewan.

Issue.

M. N. K.
10-3-21

Letter No. Pol. 957, dated 11th March 1921, to the First Assistant Resident.

Requests him to move the Government of India to obtain early orders in the matter of the representation for the inclusion of the Mysore State Loan securities in the list of those in which the Imperial Bank is authorised to deal.

Letter No. 2741—135-920, dated 18th March 1921, from the First Assistant Resident.

With reference to serial, (1) states that the request of the Durbar for an amendment of the Imperial Bank of India Act, XLVII of 1920, will be taken into consideration when the Act next comes under amendment.

Submitted for perusal.

Our request was for early action being taken in regard to the grant of reciprocity for the acceptance of our security in British India, by enabling the Imperial Bank of India to deal in such securities.

This was one of the points discussed in the First Member's Simla deputation. The reply now received does not give us any indication as to when our request will be complied with.

B. S.
19-3-21

The reply means they are not taking this amendment up, as a separate and urgent proposal. It is very disappointing.

A. R. B.
12-3-21

Yes; a copy of this letter may be submitted to His Highness with a Final Note.

M. K.
24-3-21

Final Note to His Highness.

Amendment of Government of India Act, XLVII of 1920, so as to include the Mysore State Loan Securities as authorised Securities.

The holders of the Mysore Government Securities in and outside the State are at a great disadvantage in that their holdings cannot be accepted as primary security for granting accommodation by the Imperial Bank of India. And with a view to remove this disability, the Residency was requested in letter No. Pol. 454, dated the 15th October 1920, to move the Government of India for the inclusion of the Mysore State Loan Securities in the list of those in which the Imperial Bank is authorized to deal.

I submit for His Highness' gracious perusal the reply to our request received from the Residency.

The Government of India state that our request will be taken into consideration when the Imperial Bank Act next comes under amendment.

The reply is very disappointing to us, as it means that the Government of India do not propose to take up this amendment of the Imperial Bank Act as a separate and urgent matter.

A. R. BANERJI.
7-4-21

Submitted to His Highness.

I submit herewith, for His Highness' gracious perusal, a Final Note by the First Member of Council on the subject of the amendment of Government of India Act, XLVII of 1920, so as to include the Mysore State Loan Securities as Authorised Securities.

2. This decision of the Government of India will render it extremely difficult for us to obtain subscriptions to our next loan in British India. It is therefore necessary that some arrangement should, if possible, be arrived at by negotiation with the other leading Banks in India in order to induce them to promise advances to borrowers on the security of our bonds. This question will be further considered and proposals submitted to His Highness for orders.

M. KANTARAJ URS.
13-4-21

Order.

K. R. W.
16-4-21.

Please put up Mr. Rose's D. O. on this subject as also some previous correspondence with Mr. Sydenham Clerk, Agent of the Imperial Bank Branch here.

M. N. K.
7-6-21

I have asked, Mr. Rose to discuss this matter with Sir Norcot Warren if he gets an opportunity to do so. Mr. Rose's report may be awaited.

M N. K.
25-7-21

As I have already reported, Mr. Rose could not discuss this question with Sir Norcot Warren, as he had left Bombay and gone to Calcutta. Every Banker and Broker with whom Mr. Rose discussed the question of placing our loans on the Birtish Indian Money Market, is stated to have enquired, if our securities would be accepted as cover by the Imperial Bank of India for allowing accommodation. It is quite natural that this point should be raised by them, as the investing public, stock brokers and bankers can only be expected to deal in securities for which, there is always a reasonable market and which, in the last resort, will be accepted by the Banker's Bank in India, *viz.*, the Imperial Bank of India.

Want of recognition of our securities by the Imperial Bank is therefore a serious handicap to our Loan operations outside the State. The Government of India have permitted us to float loans in Birtish India, but unless our bonds are accepted as security for loans by the Imperial Bank, we cannot expect the outside investing public to subscribe to our Loans.

Apart from the poor prospects open to our loans in British India, in the absence of authority to the Imperial Bank to accept our bonds as security for loans and advances, and apart from the inconvenience caused to the holders of our bonds witn no facilities for freely negotiating them in British India, the absence of a wide market is a disability to which the holders of our securities, even within the State, are subject and such a disability has its adverse effect on the response to our loans.

The position of the Bank of Mysore has also to be considered in this connection. In view of its relation with the Government of Mysore, the bank has to accept our securities as first class cover, but it has not the certainty that such securities are perfectly liquid in the event of necessity to realise them or that they will be accepted as cover by other banks for any accommodation which the bank may require. As our public debt is increasing, the quantity of our securities upon the market is fairly heavy and a large part of it will find its way in one form or other to the Bank of Mysore. It may happen that the resources of the bank may be unduly locked up in our securities which are not easily saleable or pledgeable and in such circumstances, the bank may either be compelled to refuse to accept or negotiate our securities or find itself in a difficult position necessitating an appeal to the Government for financial assistance on our own paper.

In every way the disability to which our securities subject is a serious matter and we must get it removed. The Government of India have indefinitely postponed the consideration of our request for inclusion of our loans in the Imperial Bank Act. The Imperial Bank of India Act was passed only last year and it is uncertain when the Act next comes under amendment. In view of the serious inconveniences referred to above, it is not desirable to allow this question to lie over indefinitely and it is imperative to approach the Government of India for some solution, partial or full, of our difficulty.

There is no reason why the Government of India should not consider our request favourably. All our Loans are terminable loans and it is a cardinal feature of our financial policy to regularly set aside contributions from annual revenues for forming the Sinking Funds required for redeeming the debts on the dates of their maturity and in this respect our policy differs from that of the Government of India. If the Sinking Funds available from time to time are applied to the purchase of our securities at or below their issue prices, we shall ourselves be creating some market for our own paper; and from the point of view of the Sinking Funds themselves, we cannot have a better investment for them than in the purchase and cancellation of the debt itself. If the Government of India consider it necessary for the sake of negotiability and of the safety of the investing public to ask for the Sinking Funds being made directly available to the Imperial Bank of India for enabling it to realise such of our securities as the Bank finds it necessary to sell but cannot otherwise dispose of, I see no objection to our complying with this condition, provided that a proportionate amount of the securities offering in the State is discharged with the funds placed at the disposal of the Imperial Bank. Once the Imperial Bank is authorised to deal in our securities, our bonds will find a ready sale in the Stock markets of India and London with the consequential result that the quantity of them that will have

to be purchased for the Sinking Funds through the Imperial Bank will not be large, and the amount set aside annually for purposes of the Sinking Funds will, I think, be adequate for ensuring the readiest sale of such of our securities as are likely to be offering in the market. If we agree to such a condition, any objection by the Government of India, on the score of security and non-redemption of our loans, for including our securities in the list of those in which the Imperial Bank of India is authorised to deal will be removed and it will make our request for recognition incontestable. With this recognition, our securities will circulate throughout India and with the whole of the Indian and the British Stock markets open to us the problem of floating loans which is giving us so much trouble will also be solved, with the added probability of our being able to issue our future loans at lower rates of interest than would otherwise be the case. The advantages which will accrue to us by our agreeing to any such or other resonable condition with the Government of India may impose for placing our securities on the list of those recognised by the Imperial Bank of India Act are very great and there cannot be any valid objection on the part of the Government of India to accede to our request, if the Sinking Funds are made available to the Bank as suggested above. Mr. Rose discussed this question during his recent visit to Bombay with Mr. Don, the Secretary & Treasurer of the Imperial Bank of India, Bombay, who while stating that without an amendment of the Imperial Bank of India Act, his Bank could not take our securities for any purpose, told Mr. Rose that there should be no objection on the part of the Government of India to authorise his Bank to deal in our securities, if we are prepared to make the Sinking Funds available to the Bank for realising our securities in the event of need. Mr. Don suggested to Mr. Rose that we should at once request the Government of India to pass the necessary amendment at the coming September Session of the Imperial Legislative Assembly but I do not know if the other important business before the Assembly will make it possible for the Government of India to take up this matter at the next Session. In any case I think it is necessary to address them again immediately on the subject. If it is not possible to amend the Bank Act in the near future, we may request them to authorise the Imperial Bank of India to accept our securities in any form or on any conditions possible under the existing Act. We may state that without some such privilege allowed to our securities we shall not be able to get any benefit from the permission given by the Government of India for floating out Loans outside the State and that investors there who buy our bonds will be put to considerable inconvenience if they desire to realise their holdings.

A draft to the Residency is accordingly put up. A copy of it may be sent to the Imperial Bank, Bombay, with reference to Mr. Rose's interview with Mr. Don.

M. N. K.

4-8-21.

P. S.—I received Mr. Rose's letter of the 4th instant, herewith put up, after I had written the above note.

The question of negotiability is discussed by him on pages 3 to 5 of his letter. In view of the great importance and urgency of the matter, he strongly urges that the representation had better be made personally to the authorities at Simla. It is our experience that important questions are settled neither satisfactorily nor promptly by correspondence with the Government of India. Action on other points mentioned in Mr. Rose's letter has already been taken.

The question of enfacement of interest at branches of the Imperial Bank of India is considered in another file submitted to-day.

M. N. K.

5-8-21.

The draft letter to the Residency is approved, please put up a D. S. N. A letter to the Secretary and Treasurer, Imperial Bank of India, Bombay, at this stage does not seem necessary and will serve no good purpose in my opinion.

M. K.

6-8-21.

Submitted to His Highness.

In submitting for information on the 13th April 1921 the Residency letter dated 18th March 1921, regarding the proposal to include our securities in the list of those in which the Imperial Bank of India is authorised to deal, I stated that the decision of the Government of India to put off the consideration of our request until the Imperial Bank of India Act is taken up for amendment, would render it very difficult for us to obtain subscriptions from outside investors to our present loans. The various difficulties due to the disability to which our securities are now subject, are explained in the Financial Secretary's Note dated the 4th instant and in Mr. Rose's letter of the same date. It is proposed to make another representation on the subject to the Government of India and the draft of a letter to the Secretary to the Hon'ble the Resident in Mysore is submitted for

the gracious approval of His Highness. It is stated in the draft that, if it is necessary, we shall place a part of the Sinking Funds at the disposal of the Imperial Bank for realisation of our securities which come into the Bank's possession and which cannot be otherwise realised.

M. KANTARAJ URS.

7-8-1921.

Order.

K. R. W.

9-8-21.

No. 10529, dated 3rd December 1921, from the Secretary to the First Assistant Resident, states that the question is one in which they cannot take the initiative properly and leave it to the Imperial Bank of India to move the matter.

The Government of India have declined to accede to our request. They refer us to the Imperial Bank of India and add that it is for that Bank "to move, if they are so advised, for the extension of their powers". I would invite attention, in this connection, to the report of the interview which Mr. Rose had, at our instance, with the Managing Governors of the Bank and to the Governors' reply communicated through Mr. Rose. The Governors state "we regret we are still unable to add anything to what we said during our interview." It is clear, therefore, that neither the Government of India nor the Bank is willing to help us. I personally do not believe that the latter can really get an amendment of the Imperial Bank Act passed without the active assistance of the former and such assistance, it is clear from the Residency letter of the 3rd December 1921, the Goverrntment of India are not willing to extend to us. We have done all we could to get "recognition" for our securities but the Government of India remain obdurate. They add that "the grant of the concession in question in regard to the securities of one State might create an invidious position as regards those of others". We never asked for any special privilege and there is no reason why other States, equally circumstanced, should not also have their securities "recognised". The Government of Indian States have to raise public loans in the same way as the Government of India and the Governments of the Provinces and it is difficult to see why public borrowing by Indian States should be handicapped by withholding "recognition" to their securities and why such States should be placed at a disadvantage in floating loans as compared with the Central and Provincial Governments. I fear that we shall have to borrow again in the future but the disability created by the want of "recognition" to our securities will make it difficult for us to borrow and compel us to offer more onerous terms than otherwise.

We recognise the securities of the Government of India for all purposes and it is a pertinent question to be considered in this connection whether, if our securities do not get "recognition" in British India, the bonds of the Government of India should be accepted as security deposits or as Trustee securities in Mysore.

M. N. K.

15-12-21.

The Imperial Bank of India might be addressed and informed of the reply received from the Government of India. In their interview with Mr. Rose, both Sir Narcot Warren and Mr. Murray are reported to have been sympathetic and to have stated that the Act will have to be amended eventually. They only considered that the time was inopportune to move in the matter at once. Even if they should consider that the time has not yet arrived for them to move the subject, it will be a great point gained if we could gain the promise of their future support after the present political unrest has died down. The difficulty pointed out by the Government of India has already been met by Mr. Rose in his interview with the Directors and their attention may be invited to it. A copy of the letter addressed by Mr. Rose to the Secretary describing the interview may be sent for record in the office of the Imperial Bank if it has not already been done.

M. K.

17-12-21

No. Fl. 3389—G. F. 87-20-3, dated 5th January 1922, to the Managing Governors. Requests them to take the initiative in the matter of securing the amendment of the Imperial Bank of India Act, 1920.

No. 268, dated 3rd February 1922, from the Managing Governors.

States that they do not feel justified in approaching the Government of India with proposals for the amendment of the Act.

It is not clear what the words "under present circumstances" in the Bank's reply signify. It is doubtful if the Bank will ever take the initiation in the matter. If it does not, the question is what is the action to be taken to secure the recognition required to

remove the disabilities of State Loan. Bonds under existing conditions for their being easily marketable in the securities market. Attention is invited to the last para of Financial Secretary's Note of 15th December 1921.

M. A. R,
14-2-23.

M. N. K.
18-2-23.

Seen.

M. K,
20-2-22.

D. O. No. 319, dated 14th June 1922, from the Private Secretary to His Highness to the Dewan of Mysore.

In returning herewith the papers relating to the question of Mysore securities, sent with your demi-official letter dated 24th April, I am directed to say that it was not considered expedient to discuss this question at Simla, and no action was therefore taken in the matter.

Amendment of the Imperial Bank of India Act of 1920, to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Bank.

Letter No. 640, dated 4th September 1920, from Seth Chandmull Dhudha, to the Financial Secretary to Government.

Serial No. 1. I shall feel obliged if you will favour me with a copy of the of Prospectus of the 6½% Mysore Bonds.

If the Prospectus does not state will you let me know if any arrangement has been made with the Government of British India under which these Bonds can be accepted as Securities in British Offices.

D.O. No. 148, dated 6th September 1920, from the Financial Secretary to Mr. Seth Chandmull Dhudha.

Serial No. 2. Your letter of the 4th instant. Government of India Bonds are accepted by us as security deposits and we are securing receprocity for our 1920 ~~loan 1920~~, loan bonds in British offices as in respect of previous issues of our loans.

Letter No. Pol. 454—G. F. 87-20-3, dated 15th October 1920, from the Financial Secretary to the First Assistant to the Hon'ble the Resident in Mysore, Bangalore.

Serial No. 3. The Durbar recently floated a public loan and with the permission of the Government of India they accepted subscriptions to it from investors in British India also. The holders of the securities of the Mysore Loan in and outside the State are at a disadvantage in that their holdings cannot be accepted as primary security for granting accommodation by the present Presidency Banks and the Imperial Bank of India which will take their place. The securities of the Government of India are accepted in the State as original cover for loans granted by all Banks and as security deposits by the Mysore Government and also by companies and private persons, taking such deposits in the course of their business. Investments of Trust Funds in the securities of the Government of India are also made. It is necessary, therefore, to arrange for a corresponding privilege in British India for the securities of the Government of Mysore. Without this reciprocal arrangement, much inconvenience will be experienced by holders of securities of one Government in transacting business based upon them in the jurisdiction of the other.

The Imperial Bank cannot, according to the law recently passed, deal in securities of the Mysore Government and the disability under which the holders in and outside the the State of the Mysore Government securities are thus placed puts them to much inconvenience and it also tends to narrow the market for such securities. In view of the altered conditions under which Local Governments will have to raise their own loans, the new law provides for the Imperial Bank dealing in securities of such Governments. The position of the Mysore Government in this respect is the same as that of any other local Government in British India and it is necessary therefore to accord the same treatment to the securities of both. Even the securities issued by State-aided Railways and debentures and other securities of District Boards are included in the list of securities in which the Bank can invest its funds and which it can accept as original cover for allowing accommodation.

In these circumstances. The Durbar believe that their request for the inclusion of their securities in the list of those in which the Imperial Bank is authorised to deal will be considered as reasonable by the Government of India and they would accordingly request that Act XLVII of 1920 may be suitably amended. The insertion of the words "or the Government of Mysore" after "the Government of Ceylon" in Schedule I, Part I, (*a*) (*i*) would place the Securities of the Mysore Government on the same footing as those of a Local Government

I am to request you to be so good as to move the Hon'ble the Resident to forward with his support the representation of the Darbar for the favourable consideration of the Government of India.

Letter No. Pol. 957, dated 11th March 1921, from the Financial Secretary to the First Assistant to the Hou'ble the Resident in Mysore.

I am directed to invite kind reference to Durbar's letter No. Pol. 454, dated 15th October 1920, for the inclusion of the Mysore State loan Securities in the list of those in which the Imperial Bank is authorised to deal and to request that you will be so good as to move the Honble the Resident to kindly obtain the orders of the Government of India as early as possible.

Amendment of the Imperial Bank of India Act of 1920, to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Bank.

No. 2741-135-1920, dated 18th March 1921, from Major C. T. C. Plowden, I. A., First Assistant to the Resident in Mysore, to The Secretary to the Government of His Highness the Maharaja of Mysore, Financial Department.

Serial No. 4.

I am directed to refer to your letter No. Pol. 454, dated the 15th October 1920, and your reminder No. Pol. 957, dated the 11th March 1921, regarding the request of the Durbar for an amendment of the Imperial Bank of India Act, XLVII of 1920. The Government of India state that, when the Act next comes under amendment, the Durbar's request will be taken into consideration.

D. O. dated 4th August 1921, from the Manager, Bank of Mysore, to the Financial Secretary to Government.

MYSORE GOVERNMENT LOANS, 1921.

Serial No. 4.A

As requested in your D. O. No. Fl. 283—G. F 6-21-30, dated the 20th July 1921, I proceeded to Bombay on the 22nd, arriving there at midnight, on the 21th instant.

Knowing the commanding position enjoyed by Mr. Dadabhoy Merwanjee Dalal in financial circles, I decided to call on him first to secure his firms co-operation, and learn his views as to the measures I should adopt to ensure a friendly reception to the Government Loans from the local Banks, etc. After explaining to him the objects for which the loans are required, and the particulars of the issues, our discussion finally centered round the question of negotiability of the loans, a matter which he said was vital to the success of any issue in Bombay, and consequently it was necessary for me to obtain the co-operation of Imperial Bank to overcome this important drawback to loans not coming within the provisions of the Imperial Bank Act. In the unfortunate absence of the two Governors of the Imperial Bank, Mr. Dalal kindly promised to arrange an interview for me, the next day, with the Local Secretary and Treasurer of the Imperial Bank, Mr. Don. Pending this interview, I called on the Managers of the following Banks :—

(i) The Alliance Bank of Simla, Ltd.
(ii) The Bank of India, Ltd.
(iii) The Central Bank of India, Ltd.
(iv) The Eastern Bank, Ltd.
(v) The Mercantile Bank of India, Ltd.
(vi) Chartered Bank of India, Australia and China.
(vii) National Bank of India, Ltd.
(viii) Tata's Industrial Bank.
(ix) The Imperial Bank of India, and
(x) Messrs. Premchand Roychand & Co., the second leading Stock and Share Brokers in Bombay.

My reception at the hands of the several Managers of the Banks was most friendly and all expressed their willingness to receive subscriptions towards the loans, and to grant advances on the conditions stated in your D. O. letter of the 20th July 1921, No. Fl. 283—G. F. 6-21-30. The question of the non-negotiability of the loan is also a stumbling block to these banks directly participating in the issue, but as I had not then discussed the matter with Mr. Don, I was unable to give them any assurance on the point. It might be pointed out here that the sole reason for the non-participation of the Joint Stock Banks in the loan is entirely accountable to the fact that they themselves would not be able to secure advances from the Imperial Bank of India on the security should occasion arise.

After these several interviews, Mr. Dalal introduced me to Mr. Don, and left us to discuss this matter of negotiability of the State Loans. I explained to Mr. Don the reasons for the floatation of the Loans, and the general financial position of the State with its 50 per cent surplus of assets over liabilities. I, also, suggested that to secure negotiability as well as engender confidence in the investing public, the Durbar would be prepared to consider the matter of placing the annual contributions towards a sinking fund, to redeem the loans at maturity, in the hands of the Imperial Bank of India ; in fact, the Durbar on its part was prepared to consider any measures necessary to secure their two principal aims *viz.*, the negotiability of their loans in India coupled with the safety of the investing public. I asked Mr. Don to state what further conditions could secure these aims, to which he replied that the proposals to place in their hands the necessary funds to ensure redemption at maturity, and the enfacement of interest at any Branch of the Bank or

Amendment of the Imperial Bank of India Act of 1920, to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Bank.

Treasury of the Government of India, were excellent and all that were necessary. He concluded the interview by stating that it now only remains for the Durbar to bring all possible influence to bear on the Financial Department of the Government of India, and to ask for the early introduction of an amending Bill to the Bank Act as the absence of a provision in the Act authorising the Imperial Bank of India to invest in, or to make advances on, loans issued by the Durbar was a fatal obstacle, and a serious attempt should be made to get over the legal difficulty.

The matter is, also, not without political significance as Mysore could not stand alone in having its loans being made negotiable under the Bank Act. This is a point which I am strongly of opinion could be best discussed in a personal interview with the Financial Member of the Government of India. It is such an easy matter to turn down a request contained in a letter, on what may appear sufficiently good grounds, but difficult when one's position is shown by a free discussion to be unassailable I am therefore of opinion that some immediate attempt should be made by the Durbar to send an influential deputation to Simla and arrange for an interview with the Viceroy—a very natural request to come from a State disirous of raising its credit with the financial institutions outside the State, and to promote investments in State securities by all classes.

The securing of the negotiability for loans of the Durbar will in every way prove of the greatest benefit to the State and its people. The State Loans will thereby be in demand in British India, and also be the means of making future issues possible at a lower rate of interest. The question is one which is deserving the attention of the Council of Princes, and the consideration by that assembly of some reciprocal agreement between the Government of India and Native States in the matter of their respective public loans. At present the Government of India alone enjoy the privilege of such an arrangement in Native States. It is well known that the Government of India are anxious to encourage the development of Industries, and the creation of such, coupled with the extension of railways, are not going to benefit the particular State introducing such Industries only, but the whole of India, and there can be no more effective way to check such economic progress than by restricting the negotiability of securities of Native States to its territorial limits. The credit of the Durbar stands high in the eyes of Bombay Financial Institutions, an asset of the highest importance, and one which cannot be allowed to depreciate without seriously affecting the present as well as future advancement of the State and the welfare of its people.

Enfacement of interest payable at the Branches of the Imperial Bank of India.—I allowed Mr. Don to peruse your D. O. letter of the 21st July 1921 wherein you express your wish to have altered the present proceedure of having the payment of interest in India on Mysore Government Bonds made by Direct communication throug the Imperial Bank of India instead of through the Accountant General of the Province. Before giving me a reply Mr. Don wished me to interview the Deputy Controller of Currency, (Mr. Denning) and ascertain if he had any objections to the suggested alteration. Mr. Denning informed me that there would be no objection on the part of the Government of India to such an arrangement being made by the Durbar, and considered the proposal one likely to popularise investment in the State Loans. I informed Mr. Don of Mr. Denning's opinion, and the former then requested me to ask the Durbar to write to the Imperial Bank of India on the subject, and in the meantime he would peruse all the correspondence, and give his reply as soon as he receives your proposal.

Deposit of Bonds with the Imperial Bank of India.—Mr. Don expressed his willingness to receive bonds in temporary safe custody, and to make delivery against payment over the counter, or to the above banks on the terms stated in your D. O. letter of the 20th July 1921. You will please address him also on this subject. He is also agreeable to allow all the branches of his bank to receive subscriptions to the new loans, and for you to announce the fact in your public advertisements of the loans.

The Times of India Publishing Press.—On the advice of Mr. Don, I called on the Managing Director of the Times of India Press, Mr. Pearson, and asked for his assistance in the printing of application forms, etc., and for the issue of same to the Banks on application from time to time. He expressed his willingness to undertake the work, and I think the arrangement will save delay in banks getting forms when required as well as save the cost of transmission, etc., to the several banks.

Advertising the Loans in Papers.—It is desirable to have frequent and effective advertisments in the principal daily papers, both English and Vernacular, from time to time. Advertisements in squares of about six inches catch the eye at once.

Amendment of the Imperial Bank of India Act of 1920, to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Bank.

I would now ask you to kindly address the several banks abovementioned asking for their co-operation in the floatation of the new State Loans on the terms and conditions mentioned in your D. O. letter of the 20th July 1921. They all agreed to your mentioning their name in any public advertisement of the Loans.

Letter No. Pol. 144, dated 10th August 1921. from the Financial Secretary, to the Secretary to the Hon'able the Resident in Mysore, Bangalore.

Serial No. 5.

I am directed to invite reference to the correspondence ending with your letter No. 2741—135—1920, dated the 18th March 1921, communicating the orders of the Government of India that the request of the Durbar for an amendment of the Imperial Bank of India Act, XLVII of 1920, will be taken into consideration when the Act next comes under amendment. The Act was passed in 1920 and it is not known when it is likely to be taken up for amendment.

2. With the permission of the Government of India the Durbar issued their last loan in British India, but the response was very limited. This year again the Durbar are, with the same permission, inviting subscriptions to their loans, open from the first instant, from investors in British India, but they fear that the result is not likely to be different, from what it was on the last occasion. The only reason for the failure of response on the part of the investing public is the absence of a ready market in British India for the securities of the Durbar. Investors, Bankers, and Brokers in British India wanted to know last year, if the bonds of the Durbar's 6½ per cent Loan of 1920 would be accepted by the Imperial Bank of India as primary security in the matter of allowing accommodation. As the Durbar's securities do not enjoy such a privilege under the Imperial Bank Act, the attempt to float the last loan in British India was practicaliy a failure. This year again the same question has been repeated and as the legal position under the Act in respect of the Durbar's securities, remains the same, the prospect of the Durbar being able to obtain any part of their loan from investors outside the State cannot but be poor. The few subscribers that invested in the bonds of the last loan and those that may invest in bonds of the present Loans, are and will continue to be put to considerable inconvenience, as Bankers and Brokers are unwilling to advance on or deal in them, until they are legally assured that the Imperial Bank of India is empowered to grant accommodation on the security of such bonds. It will thus be seen that the Durbar cannot, without the inclusion of their securities in the Imperial Bank of India Act get the full benefit of the permission so kindly accorded by the Government of India for floating their loans in British India. The capacity of the money market in the State, always a very limited one, is more so this year as the people of the State invested as much as about 120 lakhs in the 6½ per cent loan of last year and consequently the Durbar cannot but look to the investors in British India for absorbing the present loans.

3. As represented by the Durbar in their letter of 15th October 1920, the securities of the Government of India are accepted in the State as primary cover for loans granted by all banks and for all monetary guarantees by the Durbar and also by all companies and private persons. The investment of Trust Funds and also of the State Funds is authorised to be made in them. What the Durbar now ask for is the same reciprocal treatment for their securities in British India as that accorded to the securities of the Government of India in Mysore.

4. It may be mentioned here that the Imperial Bank of India is authorised under the Act of 1920 to deal and invest in securities of Local Governments, of the Government of Ceylon and of State-aided Railways and in Debentures and other securities issued by or on behalf of District Boards and the Durbar would submit that their securities are in no way inferior in point of security to such authorised securities. The extension of the same concession to the securities of the Durbar may, therefore, be kindly sanctioned.

5. The loans raised by the Durbar are all terminable loans and it is a cardinal feature of their financial policy to discharge the loans on the dates of their maturity from Sinking Funds formed for the purpose and not by means of fresh borrowing. When the service of the loans and the security for the investing public are thus fully assured, the Durbar consider that there can be no valid objection to the inclusion of their loans in the Imperial Bank of India Act. If, however, it is considered necessary to make available for the Imperial Bank of India any part of the Sinking Funds to be utilised by the Bank for the realisation of such securities of the Durbar as the Bank finds it necessary to sell but cannot otherwise dispose of, the Durbar will make the necessary arrangements for placing such amounts at the disposal of the Bank for the object stated.

Proceedings of the Govt of H. H. the Maharaja of Mysore

~~General Finance, from September 1920 to February 1922.~~

Amendment of the Imperial Bank of India Act of 1920, to admit of acceptance of Mysore Government Securities as primary security for loans advanced by the Imperial Bank.

6. It will be seen from what is stated above that the recognition which the Durbar request for their securities is a matter of great urgency and they will be much obliged if the Hon'ble the Resident will kindly support their representation and move the Government of India to accede to their request. The Durbar will esteem it a favour, if the necessary amendment of the Bank Act can be passed at the next session of the Imperial Legislative Asssembly, as it will result in an immediate response from the investing public to their present loans which, if necessary, will be kept open until the end of October 1921.

7. If it is not possible to include their securities in the Imperial Bank Act at the next session of the Legislative Assembly, the Durbar will be obliged for any other alternative arrangement which is immediately possible and which, as a provisional measure, will secure to their loans the required recognition by ıe Imperial Bank of India.

No. 105 229—Pol. 714, dated 3rd December 921, from Major C. T. C. Plowden I. A., Secretary to the Resident in Mysore, to the Financial Secretary to the Government of His Highness the Maharaja of Mysore.

Subject Amendment of the Imperial Bank of India Act, 1920.

Serial No. 6.

I am directed to refer to your letter No. Pol. 144, dated the 10th August 1921, regarding the amendment of the Imperial Bank of India Act, 1920, so as to include the securities of the Durbar in the list of securities in which the Imperial Bank of India is authorised to deal.

2. The matter was referred to the Government of India who have replied that they do not think that the matter is one in which they can properly take the initiative, and that they would prefer to leave it to the Imperial Bank of India to move, if tney are so advised, for the extension of their powers. The Government of India add that it is clear that the grant of the concession in question in regard to the securities of one State might create an invidious position as regards those of others.

No. Fl. 3389—G. F. 87-20, dated 5th January 1922, from the Financial Secretary, to the Managing Governors, Imperial Bank of India, Central office, Calcutta.

Serial No. 7.

I am directed to invite your reference to the interview of Mr. W. C. Rose, Manager of the Bank of Mysore, with you on the 2nd September 1921 on the question of obtaining recognition to the securities of the Mysore Government under the Imperial Bank of India Act, 1920. A copy of Mr. Rose's letter to the Mysore Government in this matter is appended for reference.

The Durbar have been in correspondence with the Government of India in this matter who have replied that they would prefer to leave the initiative to the Imperial Bank of India. The Mysore Government understand from Mr. Rose that their request was viewed by you with sympathy and that you considered as reasonable the request for including their securities in the list of those in which the Bank is authorised to deal.

In view of the reply of the Government of India, the Durbar would be much obliged to you if you will kindly use your good-offices and take the initiative with a view to obtain early amendment of the Act.

Letter No. 268, dated 3rd February 1922, from the Managing Governors, to the Financial Secretary to the Government of His Highness the Maharaja of Mysore.

Serial No. 8.

We have the honour to acknowledge receipt of your letter No. Fl. 3389-9—G. F. 87-20, dated 5th *ultimo* in which you refer us to our interview with Mr. W. C. Rose on the question of obtaining recognition to the securities of the Mysore Government under the Imperial Bank of India Act, 1920.

After very full consideration, we regret that under present circumstances, we do not feel justified in approaching the Government of India with proposals for amendment of the Act.

W D 387—GPB—50—12-4-23